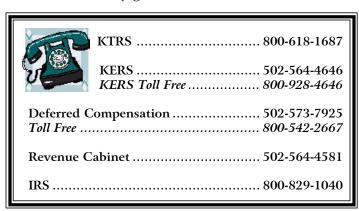
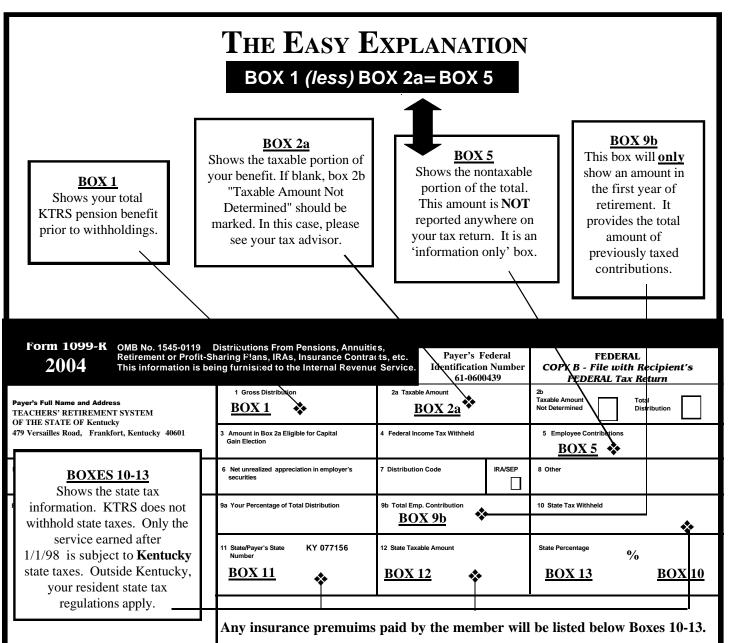
2004 Tax Year Information

KTRS will mail your 1099R tax form the last week of January 2005. Duplicates for lost 1099Rs may be requested after February 7th by calling 800-618-1687. The information center will confirm your name and address. The tax statement contains confidential information and can only be mailed to the member's address on record. For your protection, it is necessary that the member, Power of Attorney or beneficiary mail (or fax 502-573-0254) KTRS a written request in order to send the 1099R to a different address. This special request will not change your permanent record unless you specifically request it to be changed.

Please also visit our web site for additional information

and forms. Change of address forms can be found on our Web site at ktrs.ky.gov.





Kentucky State Tax Laws

The good news is that in preparing your Kentucky state income taxes, there is a \$40,200 EXCLUSION for total state taxable pension income on the Form 740 Kentucky Income Tax Return. Your Form 740 begins with the federal adjusted gross income (AGI). Schedule M of the state return allows adjustments to the federal AGI. Schedule P of the state return is NOT always required; it reports pension income in more detail. You may want to take this newsletter to your tax preparer.

Other Considerations . . .

In the event of the member's death, adjustments to the account are common. KTRS pays benefits up to the date of death. An adjustment may make it necessary to send a Corrected 1099R.

The corrected 1099R will show the date of change on the bottom of each copy. Please use the latest dated copy for tax filing purposes. All corrections are reported to the IRS.

Schedule M

Add all your 1099R, box 2a, <u>FEDERAL taxable</u> amounts.

IF THE TOTAL IS <u>UNDER \$40,200</u> YOU DO NOT HAVE TO FILL OUT SCHEDULE P. Just subtract the amount from the federal AGI by entering the amount on Part II, line 10. Therefore, you do not owe any state taxes on pensions.

IF THE TOTAL IS OVER \$40,200 YOU MUST FILL OUT SCHEDULE P. Even if you are required to fill out a Schedule P, most retired teachers still do not owe any state taxes.

Schedule P

Add all your 1099R, box 12, <u>STATE taxable</u> amounts. Enter the total on Part II of Sch P.

IF THE TOTAL IS UNDER \$40,200 YOU DO NOT OWE ANY STATE INCOME TAX ON PENSIONS. Follow instructions on completing the schedule.

IF THE TOTAL IS OVER \$40,200 YOU OWE STATE TAXES ON THE AMOUNT ABOVE THE EXCLUSION AMOUNT. Again, follow instructions on completing the schedule.

CAUTION:

*An amount in the 1099R, Box 12 does not mean you owe state taxes!!
*The requirement to prepare Schedule P does not mean you owe state taxes!

| How Does KTRS Compute the State Taxable Amount? | STEP 1 Years of service after January 1, 1998, divided by total years of service is the state taxable percentage. | STEP 2 The state taxable percentage times the federal taxable amount equals Box 12 the state taxable amount. |
|--|--|--|
| Retired Prior to January 1, 1998 | Retired After January 1, 1998 Total Federal Retirement Income LESS THAN \$40,200 | Retired After January 1, 1998 Total Retirement Income MORE THAN \$40,200 |
| KTRS remains as STATE NONTAXABLE income. If you receive more than \$40,200 federal taxable pension income you still must prepare Schedule P. | If total federal taxable income is less than \$40,200 then all pension income is STATE NONTAXABLE income. | You must fill out Schedule P on your State Income Tax Return. Follow the instructions. Your 1099R will have the information needed to complete the Schedule P. |